



Interim Report

for the Six Months Ending
December 31, 2003

CEO'S MESSAGE

To Our Shareholders:

I am pleased to report to you at the mid-point of our fiscal 2004.

Bridges products are primarily sold to schools and school districts in the United States and Canada. As our shareholders are aware, our revenues have steadily declined over the past 18 months. The aggregate decline has been the result of reduced education funding, changing priorities in education and unfavourable currency exchange rates. This downward pressure on our revenue was exacerbated by an inefficient expense structure that combined with revenue declines to produce operating losses.

As I have previously reported, our first priority recently has been to restructure the business to establish an efficient operating structure. Just over a year ago we announced the first steps of a major restructuring that we have now mostly completed. As a result of this work, our second quarter fiscal 2004 expense levels are nearly 30 per cent less than those during the same period in fiscal 2003.

The success of this program is evident in our second quarter results. For the first time since the downturn of our markets, Bridges has produced a comparative improvement in quarterly operating earnings*. This improvement has been made in spite of market conditions and revenue declines. To us, this signals a turning point. While there is still some cost efficiency to be realized, we are nearing the end of this objectives phase and are now turning our focus to revenue generation.

We have reason for both caution and optimism as we move our focus. Education funding in the United States continues to be under pressure. State budgets that indirectly fund the majority of our customer purchases are still constrained, but the recovery of the economy in the United States is now quite evident. This recovery will eventually lead to improved funding for our customers. In short, we think that we are near the bottom of the market cycle and expect to see education expenditures increase, beginning by the fall of 2004.

Prudent expense management and our quest for efficiency has allowed our balance sheet to strengthen in spite of revenue declines caused by poor market conditions. Over the past six months our working capital has steadily increased and, at quarter end, our cash balance was in excess of \$5.5 million -- up from \$ 2.7 million at June 30, 2003.

Bridges' greatest asset is the breadth and depth of our customer relationships. We are a trusted supplier with great market penetration and an excellent reputation for the provision of innovative products and outstanding customer service. Using this position in the market and the skills of our people, we intend to significantly increase the array of quality products and services that we take to our customers. In short, we plan to become a premier sales and marketing company in the high school education market and to use our market position to develop ancillary revenues.

The beginning of our new direction was made evident in our appointment last summer as the exclusive school distributor for Test University's college admission test prep products. Over the past six months, we have placed great effort into integrating these products into our sales and marketing processes. This has led to a thorough market introduction and, while early revenues are still quite small, our sales pipeline is filling and we expect to produce increasingly positive results over the coming quarters. To further our plan, we have begun the search for another major product suite and are investigating other potential revenue generating initiatives. All of this is designed to give us more market potential and less dependency on any single product for the majority of our revenue.

In order to grow our revenues in both traditional products and new additions, we must become a more proficient marketer and have a highly responsive sales system. Through the balance of this year, we will invest in developing these capabilities. Our marketing department has been completely overhauled and has new leadership. Marketing's new capabilities are allowing us to communicate with our customers on a more frequent basis and with highly targeted messaging. In the coming period, we will reorganize our sales processes as well. The aim here is to develop a nimble sales organization that is capable of producing revenue growth on an efficient basis. We are confident that our sales and marketing capability will be much stronger as we enter our next fiscal year.

All in all, we are confident and cautiously optimistic about our future. We have made great efficiency gains, we have a highly focused plan for growth and market conditions are set to improve. As we continue the pursuit of these goals, we remain grateful for the continuing support of our shareholders.

On behalf of the Board of Directors



John Simmons
CEO and Director

*Specifically, "Earnings Before Amortization, Foreign Currency Exchange, Other Income and Income Tax"

Management's Discussion & Analysis

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto for the period ended December 31, 2003. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

OVERVIEW

Bridges develops, markets and delivers career information database products and services through the Internet and on CD-ROM. These resources are designed to assist individuals in achieving education and career success. Approximately 4,000 customers throughout most states and provinces in the U.S. and Canada purchase Bridges' product solutions. These purchasers provide Bridges' products to over 13,500 schools, colleges and government agencies – making it North America's leading provider of such resources to institutions and individuals in the career services marketplace. These customers are supported by a sales and service staff distributed across both countries, and by an office in Kelowna, B.C. The Company employs a sales staff at the Kelowna call centre to contact prospective customers and also attend conferences and venues which prospects attend. Administrative sales staff and customer support staff are used to contact existing customers regarding their annual resubscription. Additionally, the Company has regionally based sales staff distributed throughout the markets. This staff group supports existing customers, provides product training, and demonstrates product use to prospective customers.

The Company strategy is to continue to support school guidance counsellors and career management counsellors by providing user-relevant, engaging, time leveraging products. The Company will also seek to develop or acquire new products and services to comply with current and emerging educational trends and that relate to higher level funding sources. The Company believes that it maintains a competitive advantage by offering products as both a CD-ROM and on an Internet-delivered platform. CD-ROM products are updated annually and Internet-based products are constantly refreshed and updated.

The Company has entered the college entry test preparation business. On July 31, 2003, the Company entered into an agreement with New York-based Test

University Inc. ("TestU") to become the exclusive marketer of TestU's pre-collegiate suite of products. These products include highly personalized online courses for SAT, ACT and PSAT that help students gain entry to the college of their choice. The products also provide educators and users with significant guidance in improving performance.

The Company's products are used in high schools, middle schools, elementary schools, "one-stop" employment centres, two- and four-year post-secondary educational institutions as well as prisons, libraries and other markets where career and educational planning is done. The buyer is either the school, institution or business, or may be a school district, province or state which purchases for multiple sites. Funds for purchasing the Company's products generally come from discretionary spending funds and, as such, initial spending and resubscription funding is subject to a periodic buying decision review by the customer. Often, funding is provided by senior levels of a state or by the federal government. Such funding can be for specific programs suited to the Company's products, or may be for general operating funds. In times of decreased funding or when senior government spending programs are reduced, the Company experiences more challenging market conditions.

TRENDS

The Company derives about 92 per cent of revenue from customers in the United States, a trend expected to continue.

Under the Company's current business model, the predominant revenue source is licence resubscriptions by existing customers. Additionally, the Company has sales to new customers. In 2002, which is the last full 12-month period reported, the installed site resubscription rate fell from approximately 90 per cent to 84 per cent. During the seven-month period ending June 30, 2003, the Company commissioned an independent consultancy to survey its customers regarding product and service related issues. They reported that our products are well regarded and desired, but that customers continue to have difficulty in securing funding to purchase our products. In 2002, amounts invoiced to customers declined by three per cent from levels achieved in 2001. Billings during the seven months ended June 30, 2003, were 3.1 per cent higher than the same period last year due to increased sales activity and a sales promotion whereby the Company launched a new third party hosted product as a free introduction in exchange for an early commitment of a future resubscription. This

successful program resulted in approximately \$1,000,000 of early subscriptions. As noted below, this pace of early subscriptions was not sustained in the current quarter.

The Company believes that funding will continue to be a challenge. The Company has attributed the decline in resubscription rates to a more restricted funding environment, particularly in the United States markets. The Company expects that this difficult funding environment will continue for several years to come.

The Company has plans to increase its array of products and services and to use its market position to develop ancillary revenues. The beginning of this new direction is evident in the Company's appointment on July 31, 2003, as the exclusive school distributor of Test University's pre-collegiate suite of products.

REVENUE RECOGNITION ACCOUNTING POLICY

Revenue from all products is billed and due at the event of initial product delivery, or initial subscription start date for those products sold with an annual site licence. The Company receives 98 per cent of revenue from products sold as an annual site licence or subscription. With such sales, revenue is recognized ratably over the term of subscription, generally 12 months. The balance of revenue relates to training and service revenues which are generated from consulting services related to client training or the implementation of information database products. Revenues from services are recognized upon substantial completion of service, provided the fee is fixed or determinable and collection is reasonably assured.

Invoicing and cash flow are not impacted by fully ratable revenue recognition. Revenue from such products is invoiced annually at the outset of the subscription, with the full amount due at the start of the subscription. The Company experiences virtually no subscription cancellations or refunds.

Prior to this fiscal year, the Company recognized revenue in four primary ways. Firstly, revenue from products that were entirely accessed over the Web was recognized ratably by month over the subscription period. Secondly, revenue was recognized in the month of shipment for CD-ROM-based products that have no Web access or ongoing user support. Thirdly, certain annual subscription products were sold which included both a shipped CD-ROM and Web service access. The customer chose which product delivery mode they used over the term of subscription, and this

could vary during that period. The customer could use either Web server access, or install the CD-ROM on their local-area network or on a PC. The Company recognized revenue for such sales based on the nature and relative fair values of the elements: CD-ROM upon delivery, customer acceptance and when ability to collect was reasonably assured; and Web-accessed elements ratably over the life of the subscription period. In the event a bundled sale of multiple products was sold, the discount taken for purchasing a bundle of products was allocated ratably to the constituent products on the basis of the fair value of such components when sold separately. The determination of fair value of elements, bundled arrangements and customer requirements therefore impacted the timing of the revenue recognized, but not the invoicing or cash flow.

In November 2002, the Company introduced a new enabling technical infrastructure that facilitates product (including CD-ROM-based products) access to database information that is updated over time. In early 2003, the Company announced a sales support program of user and administrator training during the term of subscription. The Company is considering merging individual product features into a more universal product. For these reasons, effective December 1, 2002, the Company began applying the fully ratable revenue recognition policy to all subscription products. As such, revenue comparisons of periods that include revenue invoiced before December 2002 will create comparison difficulties. Readers are encouraged to also compare invoicing amounts in reviewing operating results.

Previously, revenue derived from CD-ROM and product sales was recognized both upon delivery and over the usage period and, as a result, the Company had deferred revenue of about 15 per cent to 18 per cent of annual invoiced amounts. With a consistent product sales mix, which is expected, deferred revenue will rise to between 50 per cent and 60 per cent of invoiced amounts, once a fiscal 12-month cycle has been completed.

In the 12 months ending November 2002, approximately 94 per cent of billings were subscription products. In the seven months ending June 2003, the comparable figures are 95 per cent of total billings. In the first six months of fiscal 2004, the comparable figures are 98 per cent of total billings. Once a full calendar year has passed, use of this policy will reduce quarterly seasonality in revenue recognition. This policy does not impact the timing of invoicing, which peaks during the August to November period –

when historically 60 per cent to 65 per cent of invoices are issued.

STOCK BASED COMPENSATION

Commencing December 1, 2002, the Company has adopted the new recommendations of the CICA for share-based compensation. These recommendations require that a fair value be determined for options at the date of grant and that such fair value be recognized in the financial statements. In respect of share options awarded to employees, it is permissible to use either the fair value based method or intrinsic value based method; however, if the intrinsic based method is used, pro forma disclosure is required so as to show what the effect would have been had the fair value based method been applied.

The Company applies the intrinsic based method of accounting for share-based compensation awards granted to employees. Accordingly, no compensation cost is recorded in the financial statements related to its share options plans and the requisite pro forma disclosures have been made using the fair value method.

In Quarter 3, 2004, the Company intends to early adopt the provisions of CICA 3870 of expensing stock options as they are issued.

Effective November 17, 2003, the Company adopted a long-term executive compensation plan whereby certain senior executives may earn bonuses based on share price appreciation. The bonus plan is based on 630,000 share appreciation rights. The program provides for 25 per cent immediate vesting and a further 25 per cent in each of the forthcoming three fiscal years. The share price threshold has a base of \$1.20 in the current year, increasing to \$2.00 by December 31, 2008. Amounts payable will be accrued if and when they could be drawn by recipients. During the current fiscal period, the Company share price must exceed \$1.20 for such bonuses to be due.

2002 RESTRUCTURING

During the first half of the 2002 fiscal year, the Company experienced an unexpected decline in resubscription invoicing of about five per cent, or \$1,000,000. In November 2002, management responded to the sales trend and funding uncertainties by restructuring its operations. The Company incurred a restructuring charge of \$3,142,021 inclusive of cash costs of \$2,755,971 relating to severance and termination (\$2,237,638) and excess lease facilities costs (\$518,333). In addition the Company incurred non-cash costs of \$386,050 relating to the write down of capital assets. During the first six months of fiscal 2004, the Company continued to complete these plans with the closing of the Ottawa office. Management

expects the restructuring to be substantially complete by the end of fiscal 2004.

RESULTS OF OPERATIONS

As previously reported, the Company has received approval to change the fiscal year-end from November 30 to June 30 to better align with customers' budget and buying cycles. In the operating results included in this report, the Company operations are reported as the three months and six months ending December 31, 2003, with comparative figures of the three months and six months ending December 31, 2002.

We believe the following are important comparative operating results for the six months ending December 31:

| | December 31, 2003 (Unaudited) | December 31, 2002 (Unaudited) | Variance | Percent Change |
|--------------------|-------------------------------------|-------------------------------------|---------------|-------------------|
| Invoicing | \$8,625,603 | \$12,381,666 | (\$3,756,063) | (30.3%) |
| Revenue | \$6,533,458 | \$11,860,395 | (\$5,326,937) | (44.9%) |
| Cost of goods sold | \$2,459,955 | \$3,240,967 | \$781,012 | 24.1% |
| Overheads | \$3,393,359 | \$5,243,900 | \$1,850,541 | 35.3% |
| EBITDA | \$680,144 | \$3,375,528 | (\$2,695,384) | (79.9%) |

Invoicing for the six-month period has decreased by 30.3 per cent compared to the same period last year. U.S. denominated sales fell from \$7,157,191 (US) to \$5,549,804 (US). During the first six months of fiscal 2004, the Canadian dollar appreciated by 12 per cent compared to the six months ending December 2002, reducing invoicing for the first six months of fiscal 2004 in Canadian dollars by approximately \$1,017,300.

Many customers renew their subscriptions before they expire. Another contributor to the lower invoicing in the first two quarters was the increased sales activity and sales promotion referred to above. As a result, early renewals as at June 30, 2003, exceeded early renewals as at June 30, 2002, by approximately \$1,000,000.

On December 1, 2003, the Company began applying the fully ratable revenue recognition policy to all subscription products. Consequently deferred revenues have increased substantially on a period comparative basis, with deferred revenue increasing from \$3,339,951 at December 31, 2002, to \$8,061,041 at December 31, 2003, an increase of \$4,721,090. Commensurately, reported revenues have declined by this same amount. Also, a decline in invoicing levels resulted in a total revenue decrease of \$5,326,937.

The positive cost variances reflect reduced spending resulting from the restructuring event announced November 6, 2002, and is primarily affected by the

associated staff reductions. In the comparable quarter in 2002 the annualized run rate of expenses was approximately \$5.3 million higher than the current quarter, reflecting a decrease of 31 per cent. The nature of the Company sales, publishing and Web delivery business is that few expenses are variable to sales.

Cost of Revenue and Gross Margin

The cost of revenue decreased by 22 per cent to \$1,200,621 for the three months ending December 31, 2003, compared to \$1,557,269 for the three months ending December 31, 2002. As a percentage of revenue, cost of revenue stayed the same at 33 per cent for the three months ended December 31, 2003, and December 31, 2002. The cost of revenue decreased by 24 per cent to \$2,459,955 for the six months ending December 31, 2003, compared to \$3,240,967 for the six months ending December 31, 2002. As a percentage of revenue, cost of revenue increased to 38 per cent for the six months ended December 31, 2003, compared to 27 per cent for the six months ended December 31, 2002, largely due to the reduction of revenue as a result of the adoption of fully ratable revenue recognition and the stronger Canadian dollar.

Costs of revenue consist primarily of salaries and other personnel-related expenses for technical and product development-related staff as well as material and shipping costs and royalty expenses. The decrease in cost of revenue resulted from decreases in staff levels and ongoing efforts to improve business processes. As noted above, the Company's restructuring and staff reductions are expected to improve the Company's gross margin in the longer term (after 12 months), once the impact of increases in deferred revenue is fully realized.

Sales and Marketing

Sales and marketing expense decreased by 24 per cent to \$1,252,071 for the three months ending December 31, 2003, compared to \$1,650,571 for the three months ending December 31, 2002. Sales and marketing expense decreased by 34 per cent to \$2,370,986 for the six months ending December 31, 2001, compared to \$3,569,202 for the six months ending December 31, 2002. This favourable reduction reflects the reduced staff and spending levels in the department at a time when sales and marketing activity has increased.

Sales and marketing expense includes salaries, commissions and other personnel-related costs, travel expenses, advertising programs and other promotional

activities associated with selling and marketing the Company's products. Also included are all salaries and other personnel-related costs for customer support. In addition, the costs of trade shows, advertising and marketing are included.

Research and Development

Research and development expense consists primarily of salaries and other personnel-related costs of technical personnel associated with the Company's research and product development activities. The Company classifies software engineering and product development expenses related to creating entirely new products as research and development. The costs of maintaining or further developing existing products are classified as cost of revenue.

The Company continued to apply its policy whereby research and development costs are expensed as incurred, unless they meet certain criteria under generally accepted accounting principles for deferral and amortization. The Company has determined that none of the research and development costs met those criteria.

Research and development expense was \$70,742 for the three months ending December 31, 2003, compared to \$84,343 for the three months ending December 31, 2002. Research and development expense was \$138,439 for the six months ending December 31, 2003, compared to \$167,165 for the six months ending December 31, 2002. The reduction in research and development expenses was the result of delaying development of additional new products pending surveys of customers and conceptual design of market-driven products, as well as the impact of restructuring.

General and Administration

General and administrative expense consists primarily of salaries and other personnel-related costs of administrative personnel, as well as professional fees and other administrative expenses.

General and administrative expense decreased by \$424,985 or 48 per cent to \$454,267 in the three months ending December 31, 2003, from \$879,252 in the three months ending December 31, 2002. General and administrative expense decreased by \$623,599 or 41 per cent to \$883,934 in the six months ending December 31, 2003, from \$1,507,533 in the six months ending December 31, 2002. The reduction in

expenses reflects the consolidation of administrative functions in Kelowna, staff reductions and the Company's efforts to improve business processes.

Amortization

Amortization of property and equipment increased by 58 per cent to \$417,832 for the three months ending December 31, 2003, from \$263,624 for the three months ending December 31, 2002. Amortization of property and equipment increased by 52 per cent to \$818,635 for the six months ending December 31, 2003, from \$538,400 for the six months ending December 31, 2002. The increase in amortization is the result of the completion of the new capital infrastructure which resulted in the commencement of amortization which had been deferred until completion.

Other Income

Interest Income

The Company earned interest income on its cash balances and treasury bills. Interest income increased to \$29,926 for the three months ending December 31, 2003, compared to \$15,928 for the three months ending December 31, 2002. Interest income increased to \$46,068 for the six months ending December 31, 2003, compared to \$36,037 for the six months ending December 31, 2002.

Foreign Currency

A significant portion of the Company's revenue is received in U.S. dollars and a substantial portion of the Company's expenses are incurred in Canadian dollars. As a result, a change in the value of the Canadian dollar relative to the U.S. dollar could materially affect the Company's operating results.

The Company currently experiences a lag between the billing date and subsequent collection of accounts receivable. At each balance sheet date, the Company revalues accounts receivable denominated in U.S. funds to current rates. A currency translation gain or loss may be recognized.

Foreign currency translation gains and losses arising from normal business operations are credited to or charged to other income in the period incurred. The Company has from time to time used foreign exchange forward contracts to reduce its exposure to the foreign exchange fluctuations. As at December 31, 2003, the Company had entered into foreign exchange contracts expiring at various dates between January 2,

2004, and June 30, 2004, to sell \$900,000 (US). The fair value of the contracts at December 31, 2003, was approximately \$1,168,700. The settlement value of these contracts at maturity is approximately \$1,203,000, which would result in a foreign exchange charge of \$34,300.

Foreign exchange losses increased to \$89,871 in the three months ended December 31, 2003, from \$27,827 in the three months ended December 31, 2002. Foreign exchange losses increased to \$121,282 in the six months ended December 31, 2003, from gains of \$153,761 in the six months ended December 31, 2002, as the Canadian dollar continued to strengthen over the period.

Income Taxes

At June 30, 2003, the Company had a substantial non-refundable investment tax credit and Scientific Research and Experimental Development cost filing positions, as well as significant tax depreciation and loss carry forwards to shelter future profits. No tax provision was recorded for the six-month period ended December 31, 2003.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception the Company has financed its operations through the combination of a series of private and public sales of equity securities and cash generated by operations. The Company ended the second quarter of fiscal year 2004 with cash and cash equivalents of \$5,723,417. During the three-month period ending December 31, 2003, the Company generated cash from operating activities of \$1,334,937 compared to \$2,106,410 generated from operating activities during the three-month period ending December 31, 2002. This decrease in cash generated can be mainly attributed to lower invoicing during the three months ending December 31, 2003, as well as changes in working capital and the paying out of accrued restructuring costs. During the six-month period ending December 31, 2003, the Company generated cash from operating activities of \$3,419,717 compared to \$2,632,825 generated from operating activities during the six-month period ending December 31, 2002. This increase in cash generated can be mainly attributed to lower operating costs as a result of restructuring and staff reductions and improved business processes, and to the early subscription renewals experienced in the previous quarter, as well as to changes in working capital.

Generally Accepted Accounting Principles require that the Company report Deferred Revenue as a current liability. The amounts reflect the unearned portion of

subscriptions, and not the cost of fulfilling the subscription. Over the subscription period, Deferred Revenue will be recognized ratably as revenue. The Company experiences few refunds for cancelled subscriptions. As such, there is no cash liability to this amount.

Current Liabilities excluding Deferred Revenue amount to \$1,728,925, which compare favourably to Current Assets of \$7,818,685.

The Company expects that existing cash balances, cash generated by the Company's operations, and funds available under the Company's credit facility will be sufficient to finance any budgetary requirements for internal growth, to meet any foreseeable working capital and capital expenditure requirements and to fund share repurchases through a Normal Course Issuer Bid over the next 12 months.

NORMAL COURSE ISSUER BID AND CHANGES TO STOCK OPTIONS

On August 21, 2003, the Company announced its intention to initiate a normal course issuer bid. Under the terms of the bid the Company may, during the 12-month period beginning August 27, 2003, and ending August 26, 2004, purchase on the Toronto Stock Exchange up to a maximum of 630,840 common shares in total. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by the Company. The Company intends to cancel any common shares acquired under the bid. As at December 31, 2003, 38,000 shares have been purchased and cancelled.

On February 10, 2003, the Company announced that it had offered to employees a Toronto Stock Exchange-approved, Employee Share Option Reset Program. Under this program, non-executive employees had the one-time choice to surrender their options. Employees who chose to surrender their options were entitled to receive new share options at the ratio of one new share option per two share options surrendered. As of the option cancellation date of December 20, 2002, a total of 229,100 share options have been surrendered and cancelled under this program. On June 23, 2003, 85,550 share options were issued, exercisable at \$0.65 per common share.

RISK FACTORS

Certain statements contained in this Interim Report, including statements which may contain words such

as "could," "expect," "believe," "will" and similar expressions, and statements relating to matters that are not historical facts, are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of Bridges to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements.

These forward-looking statements relate to, among other things, plans and timing for the introduction or enhancement to the Corporation's services and products; customer demand for its products and services; expectations concerning future revenue and earnings; general economic and business conditions; control of costs and expenses; loss of key employees; stock market volatility; changes in laws and regulations; Bridges' ability to compete successfully and adapt to technological advances and changing industry standards; currency exchange rate fluctuations; economic, political, and other risks associated with national and international sales and operations; Canadian and U.S. government regulations; price and product competition; the ability to implement in a timely manner the Corporation's restructuring plans; the ability to form and implement alliances; and other factors and risks.

All forward-looking statements in this Interim Report are based on management's reasonable beliefs, intentions and expectations with respect to future events and are subject to certain risks, uncertainties, and assumptions as of the date hereof. Readers are cautioned not to put undue reliance on such forward-looking statements which are not a guarantee of future performance and are subject to a number of risks, uncertainties and other factors -- many of which are outside of Bridges' control -- that could cause actual results, performances or achievements of Bridges to differ materially from any future results, performances or achievements expressed or implied by such forward-looking statements. The Corporation cannot give assurance that the forward-looking statements contained herein will be realized. Bridges assumes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

BRIDGES.COM INC.

Consolidated Interim

Balance Sheets

| | December 31 2003 (unaudited) | June 30 2003 (audited) |
|--|------------------------------------|------------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 5,723,417 | \$ 2,416,227 |
| Accounts receivable | 1,692,945 | 3,641,053 |
| Prepaid expenses and other | 402,323 | 346,535 |
| | 7,818,685 | 6,403,815 |
| Restricted cash | 200,000 | 200,000 |
| Property and equipment | 5,910,044 | 6,700,471 |
| | \$ 13,928,729 | \$ 13,304,286 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 1,241,855 | \$ 1,745,376 |
| Accrued restructuring charge (Note 2) | 199,070 | 824,682 |
| Current portion of long-term debt | 288,000 | 216,000 |
| Deferred revenue (Note 6) | 8,061,041 | 5,968,896 |
| | 9,789,966 | 8,754,954 |
| Long-term debt | 720,000 | 864,000 |
| | 10,509,966 | 9,618,954 |
| SHAREHOLDERS' EQUITY | | |
| Common stock (Note 3(a)) | 17,820,093 | 17,857,264 |
| Contributed surplus (Note 3(b)) | 23,817 | - |
| Deficit | (14,425,147) | (14,171,932) |
| | 3,418,763 | 3,685,332 |
| | \$ 13,928,729 | \$ 13,304,286 |

See Accompanying Notes to the Consolidated Interim Financial Statements.

APPROVED BY THE BOARD



Terry M. Holland, Director



John C. Simmons, Director

Financial Statements & Notes

BRIDGES.COM INC.
Consolidated Interim
Statements of Operations and Deficit
(Unaudited)

| | Three months ended December 31 | Three months ended December 31 | Six months ended December 31 | Six months ended December 31 |
|--|--------------------------------------|--------------------------------------|---------------------------------|---------------------------------|
| | 2003 | 2002 | 2003 | 2002 |
| REVENUE | \$ 3,634,791 | \$ 4,717,986 | \$ 6,533,458 | \$ 11,860,395 |
| COSTS OF REVENUE | 1,200,621 | 1,557,269 | 2,459,955 | 3,240,967 |
| GROSS MARGIN | 2,434,170 | 3,160,717 | 4,073,503 | 8,619,428 |
| EXPENSES | | | | |
| Sales and marketing | 1,252,071 | 1,650,571 | 2,370,986 | 3,569,202 |
| Research and development | 70,742 | 84,343 | 138,439 | 167,165 |
| General and administrative | 454,267 | 879,252 | 883,934 | 1,507,533 |
| | 1,777,080 | 2,614,166 | 3,393,359 | 5,243,900 |
| EARNINGS BEFORE AMORTIZATION, FOREIGN CURRENCY EXCHANGE AND OTHER (LOSS) | | | | |
| INCOME, AND INCOME TAXES | 657,090 | 546,551 | 680,144 | 3,375,528 |
| Restructuring charge | - | (3,142,021) | - | (3,142,021) |
| Amortization of property and equipment | (417,832) | (263,624) | (818,635) | (538,400) |
| Amortization of other intangibles | - | (18,112) | - | (45,280) |
| Foreign currency exchange and other (loss) income | (79,079) | (27,131) | (114,724) | 177,468 |
| EARNINGS (LOSS) BEFORE INCOME TAXES | 160,179 | (2,904,337) | (253,215) | (172,705) |
| Income tax expense | - | 980,459 | - | 2,154,613 |
| EARNINGS (LOSS) BEFORE IMPAIRMENT OF GOODWILL FOR THE PERIOD | 160,179 | (3,884,796) | (253,215) | (2,327,318) |
| Impairment of goodwill | - | (2,235,114) | - | (2,235,114) |
| NET EARNINGS (LOSS) FOR THE PERIOD | 160,179 | (6,119,910) | (253,215) | (4,562,432) |
| DEFICIT, BEGINNING OF PERIOD | (14,585,326) | (3,564,634) | (14,171,932) | (5,121,041) |
| Excess of purchase cost over carrying value of common shares cancelled | - | - | - | (1,071) |
| DEFICIT, END OF PERIOD | \$ (14,425,147) | \$ (9,684,544) | \$ (14,425,147) | \$ (9,684,544) |
| Basic earnings (loss) per share | \$ 0.01 | \$ (0.32) | \$ (0.02) | \$ (0.19) |
| Diluted earnings (loss) per share | \$ 0.01 | \$ (0.32) | \$ (0.02) | \$ (0.19) |
| Weighted average number of shares used to calculate basic earnings (loss) per share | 12,141,403 | 12,167,591 | 12,158,331 | 12,153,110 |
| Weighted average number of shares used to calculate diluted earnings (loss) per share | 12,144,482 | 12,167,591 | 12,158,331 | 12,153,110 |

See Accompanying Notes to the Consolidated Interim Financial Statements.

Financial Statements & Notes

BRIDGES.COM INC.
Consolidated Interim
Statements of Cash Flows
(Unaudited)

| | Three months ended December 31 | Three months ended December 31 | Six months ended December 31 | Six months ended December 31 |
|---|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| | 2003 | 2002 | 2003 | 2002 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net earnings (loss) for the period | \$ 160,179 | \$ (6,119,910) | \$ (253,215) | \$ (4,562,432) |
| Items not affecting cash | | | | |
| Amortization of property and equipment | 417,832 | 263,624 | 818,635 | 538,398 |
| Amortization of intangibles | - | 18,112 | - | 45,280 |
| Non-cash portion of restructuring charge | - | 386,050 | 31,908 | 386,050 |
| Impairment of goodwill | - | 2,235,114 | - | 2,235,114 |
| Future income tax recovery | - | 982,265 | - | 2,151,032 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 1,765,517 | 2,487,484 | 1,948,108 | (293,268) |
| Prepaid expenses and other | (22,868) | (53,390) | (55,788) | (69,438) |
| Accounts payable and accrued liabilities | 36,382 | 2,268,743 | (536,464) | 1,680,818 |
| Deferred revenue | (812,930) | (361,682) | 2,092,145 | 521,271 |
| Accrued restructuring charge | (209,175) | - | (625,612) | - |
| | <u>1,334,937</u> | <u>2,106,410</u> | <u>3,419,717</u> | <u>2,632,825</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property and equipment, net of related accounts payable | (10,001) | (286,064) | (37,928) | (775,242) |
| Sale of property and equipment | 2,255 | - | 10,755 | - |
| | <u>(7,746)</u> | <u>(286,064)</u> | <u>(27,173)</u> | <u>(775,242)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Issuance of common shares | - | 8,361 | 65 | 16,531 |
| Shares purchased and cancelled | (35) | - | (32,423) | (35) |
| Interest on shareholder loans | 9,553 | - | 19,004 | - |
| Repayment of obligations under capital lease | - | (47,141) | - | (77,096) |
| Repayment of obligations under long-term debt | (72,000) | - | (72,000) | - |
| | <u>(62,482)</u> | <u>(38,780)</u> | <u>(85,354)</u> | <u>(60,600)</u> |
| NET CASH INFLOW DURING THE PERIOD | 1,264,709 | 1,781,566 | 3,307,190 | 1,796,983 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 4,458,708 | 2,381,396 | 2,416,227 | 2,365,979 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 5,723,417 | \$ 4,162,962 | \$ 5,723,417 | \$ 4,162,962 |
| Supplemental Cash Flow Disclosure: | | | | |
| Interest earned | \$ 29,926 | \$ 15,928 | \$ 46,068 | \$ 36,037 |
| Interest paid | \$ 19,135 | \$ 14,987 | \$ 39,550 | \$ 21,850 |

See Accompanying Notes to the Consolidated Interim Financial Statements.

1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements do not include all information and footnote disclosures required under Canadian generally accepted accounting principles (GAAP). In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows as at December 31, 2003, and for all periods presented, have been included.

The unaudited consolidated balance sheets, consolidated statements of operations and deficit and consolidated statements of cash flows have been prepared in accordance with GAAP principles for interim financial statements. These interim financial statements follow the same accounting policies and methods of applications as the most recent audited financial statements dated June 30, 2003. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the seven months ended June 30, 2003. As a result of the Company's decision to change its financial year-end to June 30, the Company now reports on a calendar quarterly basis. For comparative purposes the Company has disclosed quarterly results for the three- and six-month period ended December 31, 2002. These results have not previously been reported. The comparative quarterly results as reported in 2002 should be read in conjunction with the previous quarterly results (under the former fiscal reporting periods) filed on Sedar.

Invoicing fluctuates during the year as a result of seasonal influences based on school calendars, budget cycles and the timing of school districts' funding sources. The Company's experience has been that approximately 65 per cent of revenue is billed in the first two quarters of the fiscal year and approximately 35 per cent is billed in the last two quarters of the fiscal year.

On December 1, 2002, due to changes in circumstances related to the access and delivery of subscription services, the Company adopted a policy of recognizing revenue from all subscription products on a fully ratable basis over the licence term. This is expected to reduce the seasonal fluctuation in revenue.

2. RESTRUCTURING CHARGE

| | Accrued Restructuring as at June 30 2003 | | Drawdowns | | Accrued Restructuring as at December 31 2003 |
|--|--|-------------------|------------------|-------------------|--|
| | | | Cash | Non-cash | |
| | | | | | |
| Restructuring Activities | | | | | |
| Workforce reduction | \$ 609,911 | \$ 372,313 | \$ - | \$ 237,598 | |
| Excess facility costs/asset writedowns | 214,771 | 221,391 | 31,908 | (38,528) | |
| | <u>\$ 824,682</u> | <u>\$ 593,704</u> | <u>\$ 31,908</u> | <u>\$ 199,070</u> | |

During the first six months of fiscal year 2004, the Company paid \$593,704 in connection with the Company's decision to reduce its workforce and close the Ottawa branch office. Of this amount, employee termination and related costs of \$372,313 were paid to employees and \$221,391 was paid for excess facility costs. The Company determined that certain assets were surplus in connection with its decision to reduce its workforce and close the Ottawa branch office. These assets were written down by \$31,908. The balance of accrued restructuring charge of \$199,070 at December 31, 2003, is expected to be substantially drawn down by the end of fiscal year 2004.

The accrued restructuring provision reasonably reflects the estimated costs to complete the restructuring activities currently in progress or planned.

3. SHARE CAPITAL

(a) Common shares issued and outstanding

| | December 31 2003 | | June 30 2003 | |
|----------------------------------|---------------------|----------------------|-------------------|----------------------|
| | Shares | Amount | Shares | Amount |
| Balance, beginning of period | 12,616,703 | \$ 17,857,264 | 12,616,703 | \$ 17,857,264 |
| Shares repurchased and cancelled | (38,000) | (56,240) | - | - |
| Interest on shareholder loans | - | 19,004 | - | - |
| Stock options exercised | 100 | 65 | - | - |
| Balance, end of period | 12,578,803 | \$ 17,820,093 | 12,616,703 | \$ 17,857,264 |

(b) Normal course issuer bid

On August 21, 2003, the Company announced its intention to initiate a normal course issuer bid. Under the terms of the bid the Company may, during the 12-month period beginning August 27, 2003, and ending August 26, 2004, purchase on the Toronto Stock Exchange up to a maximum of 630,840 common shares in total. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by the Company. The Company intends to cancel any common shares acquired under the bid. As at December 31, 2003, 38,000 shares have been purchased and cancelled. The excess of the carrying value of the common shares over the purchase cost, amounting to \$23,817, has been credited to contributed surplus.

(c) Common shares and other equity outstanding

As at January 26, 2004, there were 12,578,803 common shares issued and outstanding. As at January 26, 2004, there were 1,313,600 options issued and outstanding at exercise prices ranging from \$0.65 to \$7.00 with remaining weighted average contractual lives of 0.1 years to 5.0 years.

During the first quarter of 2003, the Company undertook an employee share option reset program. Under this program, non-executive employees had the choice of surrendering their options in exchange for new options at the ratio of one new share option per two share options surrendered. In total, 229,100 share options were cancelled under the program. On June 23, 2003, 85,550 share options were issued, exercisable at \$0.65 per common share. Options granted under this program have an option term of five years and vest 20 per cent at the grant date and 20 per cent every six months thereafter.

(d) Share-based compensation

The Company applies the intrinsic value based method of accounting for share-based compensation awards granted to employees. Accordingly, no compensation cost is recorded in the accounts for its share option plans. For share options granted after November 30, 2002, disclosure of the impact of earnings and earnings per share as if the fair value based method for the share-based compensation had been applied is required. Such impact would approximate the following pro forma amounts:

| | Three months ended December 31, 2003 | | Six months ended December 31, 2003 | |
|--|---|---------|---------------------------------------|-----------|
| Net earnings (loss): | | | | |
| As reported | \$ | 160,179 | \$ | (253,215) |
| Compensatory fair value of options granted | | (122) | | (12,342) |
| Pro forma | \$ | 160,057 | \$ | (265,557) |
| Basic earnings (loss) per share: | | | | |
| As reported | \$ | 0.01 | \$ | (0.02) |
| Pro forma | \$ | 0.01 | \$ | (0.02) |

Weighted Average Assumptions for the three and six months ended December 31, 2003

| | |
|-------------------------------|-------|
| Expected Dividends | 0% |
| Expected Volatility | 73% |
| Risk Free Interest Rate | 2.25% |
| Expected Option Life in Years | 3 |

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options. The option-pricing models require the input of highly subjective assumptions including the expected price volatility. Bridges.com uses expected volatility rates, which are based on historical volatility rates trended into future years. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of Bridges.com stock options.

(e) *Stock appreciation rights*

Effective November 17, 2003, the Company has adopted a long-term executive compensation plan whereby certain senior executives may earn bonuses based on share price appreciation. The bonus plan is based on 630,000 share appreciation rights. The program provides for 25 per cent immediate vesting and a further 25 per cent in each of the forthcoming three fiscal year-ends. The share price threshold has a base of \$1.20 in the current year, increasing to \$2.00 by December 31, 2008. Amounts payable will be accrued if and when they could be drawn by recipients. During the current fiscal period, the Company share price must exceed \$1.20 for such bonuses to be due.

4. FINANCIAL INSTRUMENTS

The Company undertakes significant sales in United States dollars and as such is subject to risk due to fluctuations in exchange rates. From time to time the Company enters into forward exchange contracts to limit its exposure to foreign exchange risk.

As at December 31, 2003, the Company had entered into foreign exchange contracts expiring at various dates between January 2, 2004, and June 30, 2004, to sell \$900,000 (US). The fair value of the contracts at December 31, 2003, was approximately \$1,168,700. The settlement value of these contracts at maturity is approximately \$1,203,000, which would result in a foreign exchange charge of \$34,300.

5. SEGMENTED INFORMATION

The Company manages its operations in one business segment, the development, marketing and delivery of career information database and high stakes test preparation products and services through the Internet and on CD-ROM. All of the Company's long-lived assets are located in Canada. The Company attributes revenue among geographical areas based on the location of the customers involved.

| | Three months ended December 31 2003 | | Three months ended December 31 2002 | | Six months ended December 31 2003 | | Six months ended December 31 2002 | |
|---------------|---|--------------|---|--------------|---|--------------|---|---------------|
| Canada | 8% | \$ 301,092 | 13% | \$ 594,673 | 8% | \$ 539,177 | 10% | \$ 1,222,112 |
| United States | 92% | 3,333,699 | 87% | 4,123,313 | 92% | 5,994,281 | 90% | 10,638,283 |
| | | \$ 3,634,791 | | \$ 4,717,986 | | \$ 6,533,458 | | \$ 11,860,395 |

6. CONTINUITY OF DEFERRED REVENUE

The company invoices customers at the outset of the subscription or, for non-subscription products, at the time of shipment. Revenue is recognized based on the nature of the product or service provided. The following is a continuity schedule reconciling billings to revenue recognized:

| | Three months ended December 31 2003 | | Three months ended December 31 2002 | | Six months ended December 31 2003 | | Six months ended December 31 2002 | |
|-----------------------------------|---|-------------|---|-------------|---|-------------|---|-------------|
| Invoicing | \$ | 2,821,861 | \$ | 4,356,304 | \$ | 8,625,603 | \$ | 12,381,666 |
| Plus: opening deferred revenue | | 8,873,971 | | 3,701,633 | | 5,968,896 | | 2,818,680 |
| Less: ending deferred revenue | | (8,061,041) | | (3,339,951) | | (8,061,041) | | (3,339,951) |
| Revenue | \$ | 3,634,791 | \$ | 4,717,986 | \$ | 6,533,458 | \$ | 11,860,395 |

7. RELATED PARTY TRANSACTIONS

During the six-month period ended December 31, 2003, the Company paid \$160,230 (six months ended December 31, 2002 -- \$124,998) in consulting fees and bonus as sole compensation to a company controlled by the CEO who is also a director of the Company.

8. COMPARATIVE FIGURES

Certain of the prior period's figures have been reclassified to conform with the current period's presentation.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Terry M. Holland ⁽¹⁾ ⁽²⁾ ⁽³⁾
Chairman, Bridges.com Inc.
Chief Executive Officer and President,
Trimin Capital Corp.

John C. Simmons ⁽³⁾
Chief Executive Officer, Bridges.com Inc.

Douglas J. Manning
President, Bridges.com Inc.

Edward J. Hall ⁽²⁾
Co-President, Canadian Adult Communities Ltd.

Scott B. Edmonds ⁽¹⁾ ⁽²⁾
Chief Financial Officer, Quadrus Financial
Technologies Inc.

- ⁽¹⁾ Member of the Audit Committee
⁽²⁾ Member of the Compensation Committee
⁽³⁾ Member of the Corporate Governance Committee

MANAGEMENT AND OFFICERS

John C. Simmons
Chief Executive Officer

Douglas J. Manning
President

John B. Walker
Chief Financial Officer

Donald A. Phillips
VP, Marketing

William R. M. Spittle
VP, Product Development and Technology

Patricia H. Montgomery
VP, Sales

Norman R. Thompson
VP, Corporate Development, and Secretary

AUDITORS

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Toll-Free: 888-349-3437

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Oroville, Washington 98844

INVESTOR INFORMATION

SHAREHOLDER INFORMATION

Stock Listing

The common shares of Bridges.com Inc. are listed on the Toronto Stock Exchange (TSX) under the trading symbol BIT.

Common Shares (TSX)

A total of 12,578,803 common shares were outstanding as of December 31, 2003.

Investor Relations

Inquiries about the Company and requests for information should be directed to:

Norman Thompson

VP, Corporate Development, and Secretary
1-800-281-1168 or 1-250-869-4200
investor-relations@bridges.com

Web Sites

For more information about our company, products and services, visit our Web site at:
www.bridges.com

REGISTRAR AND TRANSFER AGENT

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